catalis

Annual Report

2002

CONTENTS

FINANCIAL SUMMARY
Based on IFRS
(in thousands of euros)

Key facts

- New Management Board and Supervisory Board
- Improved operating performance through continued restructuring
- Revenues decreased from euro 7,753 million in 2001 to euro 6,426 million in 2002
- Loss from operations significantly reduced from euro 14,901 million in 2001 to euro 2,353 million in 2002
- Strategic focus on test services unit and opening of German facility in Ludwigsburg
- Exit and discontinuing of the business unit test equipment by the end of 2002
- Name change from aeco N.V. to Catalis N.V.
- Capital increase of 649.000 new shares
- Management is fully committed to turnaround

Key figures	2002	2001	2000
Sales	6,426	7,753	17,867
Profit/(loss) from operations	(2,353)	(14,901)	1,301
Net profit/(loss)	(2,391)	(14,754)	824
Cash flow	(1,308)	(6,495)	8,816
Total equity	2,647	4,952	19,853
Total assets	3,733	8,054	23,133
Number of employees	97	130	109
Basic earnings per share	(0.37)	(2.27)	0.13
Number of Shares in million	7.149,000	6.500,000	5.000,000

MANAGEMENT BOARD REPORT

Dear Shareholders and Customers,
Dear Business Partners and Employees,

The year 2002 was a year of substantial change for Catalis N.V. (formerly aeco N.V.). A comprehensive restructuring program was implemented and a number of difficult and far-reaching decisions had to be taken including closures and redundancies. Overall however, Catalis N.V. has managed to successfully go through this period of transition and is now well prepared to master the challenges of the future and benefit from the opportunities ahead. The entire business has been refocused on profitable areas, where our operating companies have a significant competitive advantage and the market environment and outlook is positive. The company is now looking forward to a bright and profitable future.

Changes in Management

Starting point for the restructuring and the strategic repositioning was the introduction of a new management team. Early in the year, Mr. Erich Hoffmann and Mr. Johann Ostermayer were appointed as CEO and COO/CTO with responsibilities for marketing, technology and a main focus on the area of test equipment. Mr. Robert Kaess and Dr. Michael Hasenstab each took over a Co-CFO role and the responsibility for business development, restructuring and a main focus on the area of test services, today's core business. A new Chairman of the Supervisory Board (Mr. Jens Bodenkamp) was also appointed to supervise the execution of the restructuring plan. Furthermore Mr. Cliff Price was re-appointed as Managing Director of the business unit test services, which he had co-founded some years ago. The exact dates of the changes are provided below:

Appointments		
Dr. Jens Bodenkamp	Chairman of Supervisory Board	March 15, 2002
Wolfgang Paggen	Member of Supervisory Board	March 15, 2002
Erich Hoffmann	Marketing & Sales	February 1, 2002
Johann Ostermayer	Technology	February 1, 2002
Robert Kaess	Finance, Restructuring	July 1, 2002
Michael Hasenstab	Finance, Restructuring	July 1, 2002

Departures		
Bert Heikens	Chairman of Supervisory Board	March 15, 2002
Trevor Wheatly	Member of Supervisory Board	March 15, 2002
Jacques Fiers	CEO	January 31, 2002
Han van Eijden	CFO	January 31, 2002

Change of Stock Exchange Segment

As one of the first steps in March 2002, Catalis N.V. has changed its German Stock Exchange segment from 'Neuer Markt' to 'Geregelter Markt' in order to attract the right investor base and to save costs. After the restructuring of the segments of the Stock Exchange on January 1, 2003 Catalis N.V. is listed in the "General Standard" segment of the German Stock Exchange. The company fulfils the requirements of the "Prime Standard" segment and is planning to apply for a segment change in the near future.

Capital Increase Catalis N.V.

On 26. November 2002 Catalis N.V. issued 10% new shares with a nominal value of euro 0,10 per share. Pre-emption rights were excluded. In total 649.000 new shares were issued from the capital authorized at the shareholders meeting on June 25, 2001. All shares were subscribed by the underwriting bank to place the shares to strategic investors and management. The capital increase illustrates the confidence of the management in the new strategy and future of the Company .

The Restructuring Program in 2002

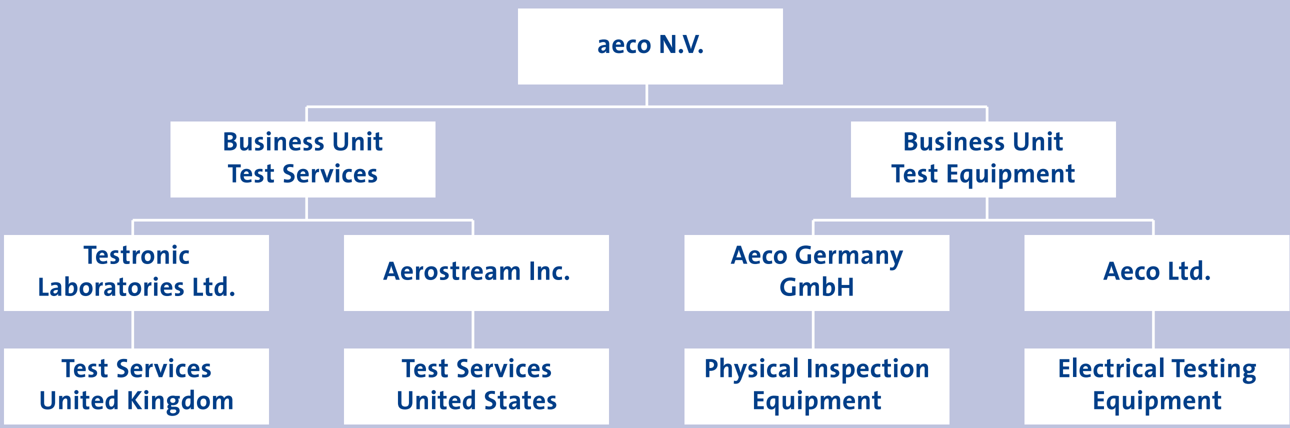
Driving force behind the willingness of the newly appointed management to take over responsibility at Catalis N.V. is the strong belief that the company can be turned into profitability by way of effective restructuring and focus on core competencies.

Summary

As a result of the restructuring, Catalis N.V. has exited the business of producing electrical and physical test and inspection equipment for the optical media & media tape industry. In parallel resources have been focused on the test services unit, which has been further diversified and grown significantly and profitably throughout the year. Catalis N.V. itself as part of this strategy has transformed itself step by step to a financial and management holding offering financing, management and consulting services to its operating companies.

Status Beginning of 2002

At the beginning of the year 2002, Catalis N.V. was operationally active in 2 business areas, the provision of physical and electrical test and inspection equipment for the optical media industry (CD, DVD producers) on the one side and the provision of test services to the media and home entertainment industry on the other. The operations were performed through four operating companies. The stock exchange listed holding company was called aeco N.V. and was mainly performing marketing and sales, financial and general holding functions at the time. The test equipment business was incurring significant losses, while the test services unit was going through a management shake up, however still producing profits.



Operating Structure of Catalis N.V. at the beginning of 2002

Business Unit Test Equipment

Market development

Generally the market for test and inspection equipment for optical media like CD and DVD is driven by the following key factors:

- Demand for such optical media by the end user;
- Introduction of new formats like DVD-ROM, DVD-Audio, DVR, etc.;
- Increased capacity and increased complexity of the media generating a need for testing and inspection.

The market for test and inspection equipment for optical media had been going through a period of sustained difficulty and adjustment since late 2000, characterised by relatively moderate or no end market growth and an increasing amount of excess capacity resulting in reduced demand and significant price pressure. Abilities of particular importance in this market and especially in such a relatively adverse market environment include the ability to consistently provide highly innovative systems and solutions, the ability to produce extremely cost effectively ideally with relatively high volumes and series and the ability to flexibly react to client needs on a technological level offering client specific solutions rather than standard systems only. In the area of physical inspection slightly more than in electrical testing it is furthermore most important to establish close relationships with OEM suppliers, which Catalis N.V. historically had with former parent Toolex N.V., but which had disappeared with the insolvency of Toolex N.V. in 2001.

Exit of Test Equipment Business

After careful consideration the management has exited the business of producing electrical and physical test and inspection equipment during the course of the year.

In the field of electrical testers (aeco Ltd., Welshpool, United Kingdom) the reasoning for the exit was mainly based on the fact, that significant resources and time would have been necessary to bring the existing technology in line with market standard and improve the market positioning and market share accordingly. Such resources were not available without potentially jeopardising the development in other, more prosperous areas of the group. Furthermore the market was characterised by strong competitive pressure with most of the competitors struggling to achieve positive returns and with only very few players generating attractive returns adequate to the risk associated to the business. On this basis it seemed unlikely that profitability and positive cash flow could have been reached in this area within a reasonable time frame. The exit was managed through a controlled closure of the business. At the time of this report the management has negotiated an agreement with another industry participant, which would allow the transfer of remaining operating assets, customer relationships as well as service obligations to the competitor in the framework of a royalty agreement. Part of the operations was a manufacturing building in Welshpool, United Kingdom, which belongs to the company and which will be sold as soon as reasonably possible.

In the area of physical inspection (aeco Germany GmbH, Aichach, Germany) the situation was slightly different initially. The business unit was a technological leader, the management was very experienced and had founded this company originally and revenues as well as operating performance were showing encouraging developments during the first five months of the year. However, due to the continued adverse investment climate in the optical media industry market demand fell to historically low levels from June 2002 onwards and throughout the summer months. On top of that, aeco Germany GmbH had by the end of the third quarter of 2002 (after the insolvency of the main customer Toolex N.V. in 2001) not managed to establish a close supplier relationships with one of the market leading OEMs (e.g. Singulus, Steag Hamatech, Sony, Unaxis, etc.) as most of those market participants had existing relationships with competitors and showed a limited willingness to change such key supplier relationships without a real need. Such relationships are 'conditio sine qua non' in this market.

In order to utilise resources most effectively and to achieve an adequate risk/return profile within the group the management decided not to invest further resources into the area of physical inspection equipment. Accordingly aeco Germany GmbH had filed for insolvency on September 27, 2002. A newly founded company named dr. schwab GmbH has taken over and today continues large parts of the former aeco Germany GmbH business. Catalis N.V. has no relationship with dr. schwab GmbH.

Business Unit Test Services

In parallel to the exit of the test equipment business, significant resources were allocated to further grow and substantiate the test services business. This business unit had already benefited from strong growth in 2001 and continued this trend in the year 2002. An important step for a successful development has been made with the re-hiring of Mr. Cliff Price, Managing Director of the test services division, who had been instrumental for the foundation and growth of this business unit in previous years and who had left the company in December 2001 due to divergencies with the former management of Catalis N.V.

Description and History

In its test services business unit, Catalis' operating companies focus on DVD disc and VHS tape content verification, compatibility testing and consulting services for disc replication providing outsourced quality assurance services for content providers. Under the brand name Testronic Laboratories professional, confidential product verification, tailored to meet the needs of the home entertainment industry are offered. The service targets a global client base from our sites in the heart of the UK movie industry at Pinewood Studios, London, Burbank close to Hollywood in the US and our newest facility at the Media Park in Ludwigsburg, Germany. All sites operate to identical standards, guaranteeing the uniformity of approach essential to multinational titleholders and distributors. Established in 1998, Testronic Laboratories is staffed by Quality Assurance (QA) professionals with over 70 years' combined experience in related industries. All popular formats are evaluated against industry-standard references with formal reports tailored to the client's requirements. Evaluation is performed on industry-standard professional equipment complemented by a wide range of domestic test equipment. Field audits and supplier assessments are also being performed.

Developments

Main objective for the business unit test services in the year 2002 was to further grow the business and reduce risks by continued diversification in terms of regions covered, services offered and clients served. In all three areas great success was achieved during 2002.

(1) With the opening of an evaluation site in Ludwigsburg the German speaking markets are now covered.

(2) The types of services offered were increased through a broadened offering targeting a greater number of different steps in the production process and value chain.

(3) A number of new clients were added to our customer list, while none were lost.

Strategy

Going forward we aim to achieve further substantial growth in the test services division, whereby only profitable growth is desired. Key elements of the strategy going forward include:

(1) Further growth in existing test services business for the media industry

(2) Offer new and related test services to both existing and new clients in the media industry

(3) Offer test services to other industries

We aim to execute this strategy through continued internal growth as well as through acquisitions.

Financial Statements

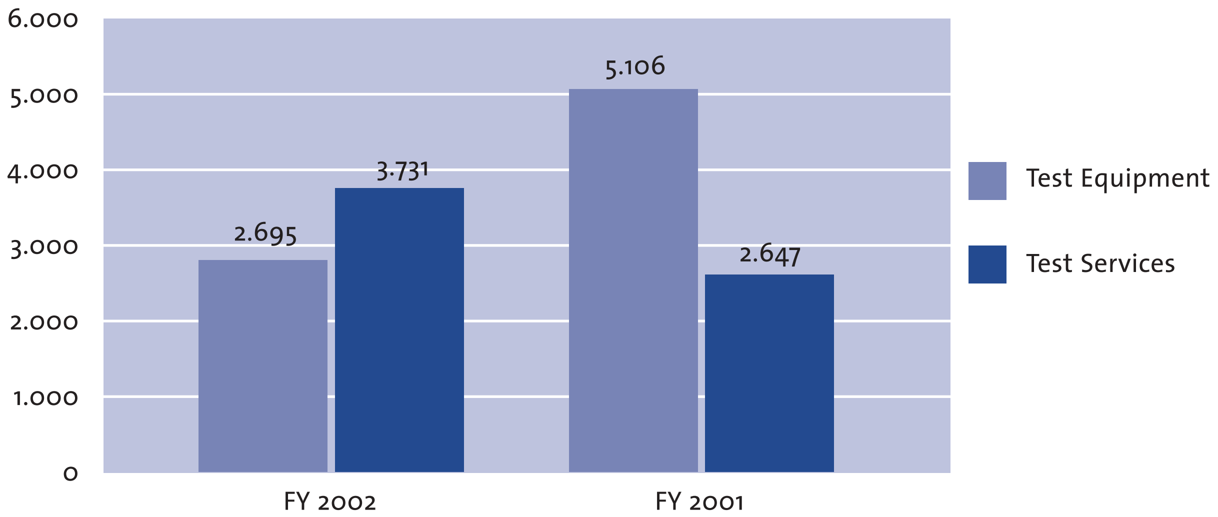
As of December 31, 2002, Catalis N.V was quoted on the "General Standard" (a segment of the Frankfurt Stock Exchange). The registered office of the company is in Eindhoven, The Netherlands. The results for 2002 and the comparative results for 2001 are stated in euro in accordance with IFRS (International Financial Reporting Standards).

Total sales

Overall sales decreased by 18% from euro 7.8 million in 2001 to euro 6.4 million in 2002.

Sales by business unit

The following table shows a breakdown of sales for 2002 by business unit:



Sales of the test equipment business unit decreased 47% from euro 5.1 million in 2001 to euro 2.7 million in 2002. The business unit test equipment accounted for approximately 42% of total sales in 2002 (2001: 66%). Sales of the test services business unit increased from euro 2.6 million in 2001 to euro 3.7 million in 2002 and accounted for approximately 58% of total sales in 2002 (2001: 34%).

Both, electrical and physical test equipment were hit equally hard by the slowdown in the market, the insolvency of Toolex N.V. and the exit of the test equipment market by end of 2002. The operational business of the unit test equipment has been discontinued in 2002.

Gross profit

The overall gross profit in the fiscal year 2002 was euro 2.7 million (2001: euro 1.1 million). This reflects a gross profit margin of 42.1% in 2002 after 13.7 % in the fiscal year 2001. The significant increase is mainly due to the fact that Catalis' restructuring program had resulted in improved operating performance.

Operating profit/(loss) and expenses

Operating profit/(loss) in the fiscal year 2002 amounted to euro (2.4) million (2001: euro (14.9) million). Overall, operating expenses decreased from euro 16.0 million in 2001 to euro 5.1 million in 2002.

Marketing and sales expenses decreased by 50% from euro 1.0 million in 2001 (13.2% of sales) to euro 0.5 million in 2002 (7.5% of sales). Most of the marketing expenses are related to the business unit test equipment. The main activities in this area included the expansion and improvement of the sales department including the build up of the global agency network, the continued integration of the former Aerosonic Ltd. and the former ContTec GmbH and the launching of the aeco brand name to the market.

Expenses for research and development decreased by 45% from euro 3.0 million in 2001 (38.3% of sales) to euro 1.6 million in 2002 (25.5% of sales). All of the research & development expenses are related to the business unit test equipment. The relatively high expenses in this area demonstrate Catalis' continued commitment to technological leadership. The main individual activities were the continued research and development of our new software for electrical testers, the further development and improvement of our electrical tester for Dataplay and the further development of three new products in the area of physical inspection, which were launched in mid 2002.

General and administration expenses decreased by 60% from euro 3.9 million in 2001 (49.9% of sales) to euro 2.3 million (36.5% of sales) in 2002. The high general and administration expenses are mainly caused by the insolvency of the main customer Toolex NV, the insolvency of aeco Germany GmbH on 27. September 2002 and the exit of the test equipment business unit.

Financial income/ loss-net

The net financial loss was euro 0.03 million in 2002, compared to euro 0.2 million income in 2001. The decrease is mainly caused by the insolvency of aeco Germany GmbH.

Income tax

Catalis N.V. effective tax rate was 0% in 2002 and 0% in 2001.

Profit/(loss) after tax

Profit/(loss) after tax increased from euro (14.8) million in 2001 to euro (2.4) million in 2002, mainly due to the success of the restructuring program and the focus on profitable business units.

Cash flow

The net cash used in operating activities in 2002 decreased from euro (5.8) million in 2001 to euro (1.1) million. The decrease in net cash used in operating activities is mainly due to a decrease in operating costs.

Proposal for allocation of loss

We will propose to the Annual Shareholders' Meeting to deduct the loss after tax of euro (2.4) million from retained earnings, resulting in an accumulated deficit of euro 16.3 million.

Employees

Our average staffing level has decreased by 33 people from an average of 130 in 2001 to 97 in 2002. There were 57 people employed in our test equipment business unit and 37 in our test services business unit. The holding Catalis N.V. employed 3 people in 2002.

Capital expenditures

We spent a total of euro 0.2 million on property, plant and equipment. The main part of this capital spending went to replacement and additions in our laboratory equipment.

Acquisitions

No acquisitions were made in the fiscal year 2002.

Research and development

It has been the policy of the group to allocate approximately 20% of total sales to research and development.

We spent euro 1.6 million on research and development in 2002, which is 25.5% of sales (2001: euro 3.0 million, 38.3% of sales). The high research and development expenses are mainly due to our policy to maintain a policy of technological leadership and significantly reduced sales levels.

Recent Developments (in Fiscal Year 2003)

Further to the described changes, a number of additional measures have been undertaken subsequent to the date of this report.

Change of Name from aeco N.V. to Catalis N.V.

With effect from February 7, 2003, aeco N.V. has changed its name to Catalis N.V. The name change was performed in connection with the finalisation of the restructuring program and the expected return to profitability for the first time since almost 2 years.

Asset Deal between aeco Ltd. and Datarius

In March 2003 Catalis N.V. has reached an agreement between its subsidiary aeco Ltd. and Datarius Technologies GmbH, Austria, which allows the transfer of remaining operating assets, customer relationships as well as service obligations to Datarius. aeco Ltd. will be compensated through a base payment combined with a long-term royalty agreement.

Outlook: Strategy of Catalis N.V.

The company has one key objective for 2003: to achieve sustained profitability. Both staff and management at Catalis N.V. are fully committed to attaining this goal. Following the finalisation of the restructuring and repositioning program, Catalis N.V. plans to achieve growth internally in the test services division as well as through acquisitions and external growth.
Core elements of Catalis' strategy are outlined below:

Niche Market Approach

Catalis N.V. aims to establish itself as a global leader in certain, carefully selected niche markets.

Target Sectors

Sectors of particular interest for Catalis N.V. include services as well as test and other types of industrial production equipment.

The service sector is of particular interest to Catalis N.V. The service sector globally has been growing continuously over the past decade and in many industrial nations now represents a significant part of the economy. Reasons for this trend which Catalis N.V. believes will continue to exist in the future and will benefit Catalis N.V. include:

(1) General trend towards specialisation and increased division of labour between corporate entities
(2) Continued focus of corporations on their core competencies
(3) Continued trend towards outsourcing

Furthermore, Catalis' management has inherited an accumulated know-how of more than 30 years in the production of test equipment for the optical media industry (DVD, CD, other formats), which had historically been a core activity of aeco N.V. Catalis intends to build on this know-how base and to continue to be active in the provision of equipment to mechanical and electrical engineering and machinery companies. An area of special interest is the area of test and inspection equipment for industrial applications.

Top 3 Approach

Catalis' objective is to be active only in such businesses where it will entertain a Top 3 market position either globally or in certain, logically defined geographies.

Enabling Approach

Catalis' philosophy is to enable its operating subsidiaries to focus on their clients and the quality of their services, which in Catalis' view are the key ingredients for growth and a prosperous long-term development. Therefore Catalis supports its subsidiaries in all indirect aspects of their businesses including strategic and operative management consulting, financing and financial advisory, administration, human resources, etc. Catalis is also prepared to take over management roles if and when adequate.

Financial Outlook

Due to the exit of the test equipment business Catalis expects a further reduction in revenues for the year 2003. However, with the finalisation of the restructuring program the return to profitability should be achieved for the year ahead.

Eindhoven, The Netherlands
April 11, 2003

Board of Managing Directors

Erich Hoffmann

Johann Ostermayer

Robert Kaess

Michael Hasenstab

SUPERVISORY BOARD REPORT

The Supervisory Board comprises of three members. Seven plenary meetings of the Supervisory Board took place during 2002, according to the Articles of Association of Catalis NV. The Supervisory Board regularly received verbal and written report from the management on the financial situation of Catalis N.V. and its subsidiaries.

At the meetings, the Supervisory Board was informed and consulted about the activities and policies of Catalis N.V. Matters considered by the Supervisory Board during the year included:
- Organisational structure to meet the requirement for efficient corporate Management;
- Restructuring plan and strategic repositioning to focus on test services;
- Controlled closure of aeco Ltd, Welshpool, United Kingdom;
- Insolvency of aeco Germany GmbH, Aichach, Germany;
- Increase of share capital in November 2002;
- Budget 2003;
- Name change to Catalis N.V.;

The consolidated statements of Catalis N.V. were drawn up according to the International Financial Reporting Standards (IFRS) as issued by the IASB. These statements have been examined by Moore Stephens Van den Boomen as our independent public auditors.

We have approved the financial statements of Catalis N.V. prepared by the Board of Managing Directors. We are in agreement with the Management Board Report.

Over the past year Catalis N.V. tackled great internal and external challenges. The company would not have been able to master this difficult situation without the energetic efforts and dedication of its staff and management- The Supervisory Board wishes to thank all member of the Board of Management and all executives and employees of Catalis N.V. and its subsidiaries for the work performed by them during the past fiscal year.

Eindhoven, The Netherlands
April 11, 2003

Board of Supervisory Directors

Bodenkamp

Dr. J. Bodenkamp (since March 15, 2002), Chairman
K. Moser
W. Paggen (since March 15, 2002)

B. Heikens (till March 15, 2002)
C. T. Wheatley (till January 30, 2002)

CONSOLIDATED BALANCE SHEETS

as at December 31, 2002 and 2001

(in thousands of euros)

	Note	Consolidated December 31, 2002	Consolidated December 31, 2001
ASSETS			
Current Assets			
Cash and cash equivalents	6	1,727	3,035
Trade receivables – net	7	753	1,744
Inventories	8	122	1,626
Other current assets	9	243	391
Total Current Assets		**2,845**	**6,796**
Non-Current Assets			
Goodwill	10	148	156
Property, plant and equipment at cost – net	11	281	479
Buildings at revalued amount – net	12	459	471
Other non-current assets	13	–	152
Total Non-Current Assets		**888**	**1,258**
Total Assets		**3,733**	**8,054**
LIABILITIES AND EQUITY			
Liabilities			
Current Liabilities			
Trade and other payables	14	765	2,472
Taxes and social securities		216	340
Provisions	15	105	290
Total Current Liabilities		**1,086**	**3,102**
Non-Current Liabilities			
Long-term debt	17	–	
Total Non-Current Liabilities		–	–
Total Equity	19		
Share capital		715	650
Capital reserve		18,360	18,347
Currency translation differences		(107)	(115)
Accumulated profit/ (deficit)		(16,321)	(13,930)
Total Equity		**2,647**	**4,952**
Total Liabilities and Equity		**3,733**	**8,054**

The accompanying notes to these balance sheets form an integral part of these consolidated financial statements.

INCOME STATEMENTS

for the years ended December 31, 2002 and 2001

(in thousands of euros)

	Note	Consolidated December, 31, 2002	Consolidated December, 31, 2001
Sales	20	6,426	7,753
Cost of sales	21	3,722	6,692
Gross Profit		**2,704**	**1,061**
Redundancy costs	22	268	975
Marketing and sales	23	482	1,024
Research and development	24	1,638	2,969
General and administration	25	2,346	3,869
Write-offs due to Toolex insolvency		–	5,393
Write-offs due to aeco Germany insolvency		323	–
Impairment goodwill	10	–	1,732
Loss From Operations		**(2,353)**	**(14,901)**
Interest Income		75	280
Currency translation differences		(102)	(115)
Other Expenses		–	(1)
Total Financial income – net	**27**	**(27)**	**164**
Loss before tax		**(2,380)**	**(14,737)**
Income tax	28	11	17
Loss After Tax		(2,391)	(14,754)
Earnings Per Share	34		
Basic		(0.37)	(2.27)
Diluted		(0.35)	(2.23)

The accompanying notes to these income statements form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the years ended December 31 2002, 2001, 2000 and 1999
(in thousands of euros)

	Share Capital	Capital Reserve	Property Revaluation Reserve	Translation Reserve	Accumulated profit/(loss)	Total
Balance at January 1, 1999 (proforma combined)	**500**	**1,694**	**130**	**19**	**(638)**	**1,705**
Dividends aeco Germany GmbH declared	–	–	–	–	(1,730)	(1,730)
Currency translation differences	–	–	–	(24)	–	(24)
Profit after tax	–	–	–	–	1,922	1,922
Other	–	–	(2)	–	2	–
Balance at December 31, 1999 (proforma combined)	**500**	**1,694**	**128**	**(5)**	**(444)**	**1,873**
Dividends aeco Germany GmbH declared	–	–	–	–	(1,943)	(1,943)
Goodwill merger Aerosonic	–	(1,080)	(128)	5	2,387	1,184
Proceeds from issuance of share capital	150	17,758	–	–	–	17,908
Currency translation differences	–	–	–	7	–	7
Profit after tax	–	–	–	–	824	824
Balance at December 31, 2000	**650**	**18,372**	**–**	**7**	**824**	**19,853**
Currency translation differences	–	–	–	(122)	-	(122)
Proceeds from issuance of share capital	–	(25)	–	–	-	(25)
Loss after tax	–	–	–	–	(14,754)	(14,754)
Balance at December 31, 2001	**650**	**18,347**	**–**	**(115)**	**(13,930)**	**4,952**
Proceeds from issuance of share capital	65	13	–	–	–	78
Currency translation differences	–	–	–	8	–	8
Loss after tax	–	–	–	–	(2,391)	(2,391)
Balance at December 31, 2002	**715**	**18,360**	**–**	**(107)**	**(16,321)**	**2,647**

The accompanying notes to these equity statements form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENTS

for the years ended December 31, 2002 and 2001

(in thousands of euros)

	Consolidated December 31, 2002	Consolidated December 31, 2001
Cash flow from operating activities		
Loss after tax	(2,391)	(14,754)
Depreciation of tangible fixed assets	256	552
Goodwill amortization/impairment	8	1,741
Increase/(decrease) of provisions	(185)	(157)
(Increase)/decrease of inventory	1,504	1,265
(Increase)/decrease in other current assets and trade receivables	1,139	5,274
Increase/(decrease) in current liabilities other than provision	(1,831)	264
Net cash used in operating activities	**(1,500)**	**(5,815)**
Cash flow from investing activities		
Purchase of property, plant and equipment, net	(46)	(248)
(increase)/decrease other non-current assets	152	–
Net cash used in investing activities	**106**	**(248)**
Proceeds from issuance of share capital	78	(25)
Repayment of long-term debt and bank overdrafts	–	(285)
Dividends paid	–	–
Net cash (used in) / provided by financing activities	**78**	**(310)**
Net effect of currency translation in cash and cash equivalents	**8**	**(122)**
Net increase/(decrease) in cash and cash equivalents	**(1,308)**	**(6,495)**
Cash and cash equivalents at beginning of year	**3,035**	**9,530**
Cash and cash equivalents at end of year	**1,727**	**3,035**

The accompanying notes to these cash flow statements form an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the years ended December 31, 2002 and 2001
(all amounts are in thousands of euros, unless otherwise indicated)

1. GENERAL

Catalis N.V. ("the Company") and its wholly owned subsidiaries (together "Catalis" or "the Group") provides testing services for the media industry. The designing, developing, manufacturing and marketing of testing and inspection systems for magnetic and optical memory media such as DVD, CD-R, VHS, CD, MO, MD and Laser Disc is discontinued in 2002. The average number of employees of the Group was 97 and 130 in 2002 and 2001 respectively. The office of Catalis is located at Aalsterweg 181a, Eindhoven, The Netherlands.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has adopted IFRS in 2002 and 2001.

3. GOING CONCERN

During 2002 and 2001, the company suffered significant losses from its operations, which weakened the shareholders' equity. Although it is difficult for the company to predict future liquidity requirements with certainty, the company believes that the cash generated from its operations, together with existing cash and amounts available under its financing arrangements will be adequate to secure the continuity of the company's operations. The management has discontinued loss making businesses with limited future potential in 2002. Based on the assumption that the company will be able to continue as a going concern, the accounting principles as disclosed in note 4. have been applied in these financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in preparing the financial statements of Catalis N.V are as follows:

General

The accompanying financial statements are prepared in accordance with the International Financial Reporting Standard (IFRS) formulated by the International Accounting Standards Board (IASB). The consolidated financial statements include the accounts of aeco International GmbH, aeco Germany GmbH (till insolvency date of September 27, 2002) Aerostream inc., aeco Ltd., Testronic Laboratories Ltd., aeco Options BV and Testronic GmbH.

Catalis N.V. was incorporated on March 24, 2000. At incorporation Catalis N.V. acquired all of the outstanding shares of aeco Germany GmbH (through acquisition of the intermediate holding company aeco International (Deutschland) GmbH) and aeco Ltd. via a share issue by Catalis N.V. against the contribution in kind of shares in aeco Germany GmbH and aeco Ltd.

Basis of Preparation

The accompanying financial statements have been prepared under the historical cost convention, except for buildings carried at revalued amounts.

Reporting Currency

Because of the international nature of the Group's activities, the financial statements are prepared and presented in euros, which is the functional currency of the Group.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the years ended December 31, 2002 and 2001
(all amounts are in thousands of euros, unless otherwise indicated)

Principles of Consolidation

The consolidated financial statements of the Group include Catalis N.V. and the subsidiaries over which management control is effectively exercised. This management control is normally evidenced when the Group owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital and is able to effectively govern the financial and operating policies of an enterprise so as to benefit from its activities. Aeco Germany GmbH has been consolidated till insolvency date of September 27, 2002.

The purchase method of accounting is used for acquired businesses. Companies acquired or disposed of during the year are included in the consolidated (pro-forma combined) financial statements from the date of obtaining or disposing effective management control.

All other investments held on a long-term basis are valued at cost less any impairment in value, and are included in other non-current assets.

Intercompany balances and transactions, including intercompany profits and unrealised profits and losses are eliminated. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Cash

Cash includes cash on hand and cash with banks.

Receivables

Receivables are stated at face value, after provision for doubtful accounts.

Financial Instruments

Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalents, marketable securities, trade and other accounts receivable and payable, long-term debt, bank overdrafts, loans, borrowings, investments, and bonds receivable and payable. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this note.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, gains and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

The Group operates internationally, giving rise to significant exposure to market risks from changes in interest and foreign exchange rates. The Group nets its exposures in foreign currencies periodically and does not use separate derivative financial instruments to mitigate those risks.

Foreign exchange positions are translated at exchange rates prevailing at the end of the reporting period.

The Company does not enter into foreign exchange forward contracts to hedge its net investments in foreign subsidiaries. Changes in foreign currencies that affect the net equity value in euros are reported in the Currency translation differences as part of shareholders' equity.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the years ended December 31, 2002 and 2001
(all amounts are in thousands of euros, unless otherwise indicated)

Inventories
Inventories, including work-in-progress on service contracts are valued at the lower of cost and net realisable value, after provision for obsolete items. Net realisable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. For processed inventories, cost includes the applicable allocation of fixed and variable overhead costs.

Property, Plant and Equipment
Property, plant and equipment, other than buildings, are stated at cost less accumulated depreciation and accumulated impairment loss. When assets are sold or retired, their cost and accumulated depreciation are eliminated for the accounts and any gain or loss resulting from their disposal is included in the income statement.

Buildings are stated at revalued amount less accumulated depreciation and accumulated impairment loss. Independent property revaluations are performed once every 5 years with the last valuation performed by Norman Lloyd & Co. as of May 4, 1999. Any increase in a building's valuation is credited to the property revaluation surplus in shareholders' equity; any decrease is first offset against an increase on earlier valuation in respect of the same property and is thereafter charged to the operating profit. Upon the disposal of revalued property, the relevant portion of the revaluation surplus realised in respect of previous valuation is released from the property valuation surplus directly to retained earnings.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalised as an additional cost of property, plant and equipment.

Depreciation is computed on a straight-line basis over the following estimated useful lives:

Buildings and leasehold improvements	5-30 years
Machinery and equipment	3-10 years
Furniture and vehicles	3-10 years

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Accounting for Operating Lease
Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the years ended December 31, 2002 and 2001
(all amounts are in thousands of euros, unless otherwise indicated)

Goodwill
The excess of the cost of an acquisition over the Company's interest in the fair value of the net identifiable assets and liabilities acquired as at the date of the exchange transaction is recorded as goodwill and recognised as an asset in the balance sheet. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis over its useful life.

The amortisation period is determined at the time of the acquisition based upon the particular circumstances and ranges from 5 to 20 years. The unamortised balances are reviewed at each balance sheet date to assess the probability of continuing future benefits. If there is an indication that goodwill may be impaired, the recoverable amount is determined for the cash-generating unit to which the goodwill belongs. If the carrying amount is more than the recoverable amount, an impairment loss is recognised.

Research and Development
Expenditures for research and development are charged against income in the period incurred except for project development costs which comply strictly with the following criteria:

- the product or process is clearly defined and costs are separately identified and can be measured reliably;
- the technical feasibility of the product is demonstrated;
- the product or process will be sold or used in-house;
- a potential market exists for the product or its usefulness in case of internal use is demonstrated;
- and adequate technical, financial and other resources required for completion of the project are available.

Provisions
A provision is recognised when, and only when, the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Use of Estimates
The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. These estimates are reviewed periodically and as adjustments become necessary, they are reported in the income statement in the period in which they become known.

Reserves
Property Revaluation Reserve is created in accordance with the requirements of IFRS and intended for reflection of revaluation of buildings stated at fair value.

Translation Reserve is intended for reflection of translation differences arising from the translation of net investments in foreign subsidiaries.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the years ended December 31, 2002 and 2001
(all amounts are in thousands of euros, unless otherwise indicated)

Revenue Recognition

For products which are still under development, revenue is recognised net of sales taxes and discounts as and when goods delivered to customers are accepted to the full satisfaction of the customer. For standard (fully developed) products revenue is recognised net of sales taxes and discounts at the moment of delivery of the goods to the customer. Costs of sale are matched to the revenue as it is recognised.

Revenue from rendering services is recognised by reference to the stage of completion when this can be measured reliably. The stage of completion is determined based on surveys of work performed.

Foreign Currencies

Foreign currency transactions

Foreign currency transactions are recorded in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction. Exchange rate differences arising on the settlement of monetary items at rates different from those at which they were initially recorded during the periods are recognised in the income statement in the period in which they arise.

Foreign operations

Where the operations of a foreign company are integral to the operations of the Group, the translation principles are applied as if the transactions of the foreign operation had been those of the Group, i.e. foreign currency monetary items are translated using the closing rate, non-monetary items are translated using the historical rate as of the date of acquisition. Income and expense items are translated at the exchange rates in place on the dates of the transactions. Resulting exchange differences are recognised in the income statement.

Foreign entities

The majority of foreign consolidated subsidiaries are regarded as foreign entities since they are financially, economically and organisationally autonomous. Their reporting currencies are the respective local currencies. Financial statements of foreign consolidated subsidiaries are translated at year-end exchange rates with respect to the balance sheet, and at exchange rates at the dates of the transactions with respect to the income statement.
All resulting translation differences are included in the translation reserve in equity.

Defined Contribution Plans

The Group sponsors defined contribution plans based on local practices and regulations. The plans cover full-time employees and provide for contributions ranging from 0% to 5% of salary. The Group's contributions relating to defined contribution plans are charged to income in the year to which they relate.

Income Taxes

The income tax charge is based on profit or loss for the year and includes deferred taxation. Deferred taxes are calculated using the balance sheet liability method. Deferred income taxes reflect the net tax effects of taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the years ended December 31, 2002 and 2001
(all amounts are in thousands of euros, unless otherwise indicated)

Impairment of Assets
Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in income for assets carried at cost and treated as a decrease in property revaluation reserve for buildings that are carried at revalued amount to the extent that the impairment loss does not exceed the amount held in the property revaluation reserve for that same building. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which they belong.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exists or has decreased. The reversal is recorded in income or as an increase in the property revaluation reserve in case of buildings.

Segments
For management purposes the Group is organised on a world-wide basis into two major operating business units: Test Equipment and Test Services. These business units are the basis upon which the Group reports its primary segment information. Financial information on business units and geographical segments is presented in Note 20.

Contingencies
Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

5. CHANGES IN GROUPS' ORGANISATION

At September 27, 2002 aeco Germany GmbH filed for insolvency. From this date a trustee on behalf of the German Court is dealing with the liquidation of the assets and liabilities.

In the end of 2002 Testronic GmbH was incorporated at Ludwigsburg, Germany. This company will provide test service facilities for possible clients at the Media Park in Ludwigsburg.

In November 2002 aeco Options B.V. was incorporated. The Group has the intention to purchase direct or indirect its own shares in order to fulfil the obligations with regard to the existing stock option plans and to hedge the position risk of the options concerned. The purpose of this policy is to avoid an increase in the number of Catalis shares, causing a dilution of the net profit per share. As at December 31, 2002 aeco Options B.V. did not hold any own shares of Catalis N.V.

(all amounts are in thousands of euros, unless otherwise indicated)

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise bank balances and cash. The carrying amount of these assets approximates their fair value.

7. TRADE RECEIVABLES – NET

Trade receivables – net include the following:	At December 31	
	2002	2001
Accounts receivable	838	5,750
Less: provision for doubtful accounts	(85)	(4,006)
Total trade receivables – net	**753**	**1,744**

8. INVENTORIES

Inventories include the following:	At December 31	
	2002	2001
Finished goods	–	264
Work-in-progress	61	746
Raw materials	61	616
Total inventories	**122**	**1,626**

9. OTHER CURRENT ASSETS

Other current assets include the following:	At December 31	
	2002	2001
Other receivables and prepaid expenses	196	288
Prepaid expenses	47	103
Total other current assets	**243**	**391**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the years ended December 31, 2002 and 2001

(all amounts are in thousands of euros, unless otherwise indicated)

10. GOODWILL

The movement in goodwill is as follows:	2002
Cost	
Cost at January 1 and December 31	**165**
Accumulated Amortization 2002	
Accumulated at January 1	9
Amortization for the year	8
Accumulated amortization at December 31	**17**
Net book value	**148**

11. PROPERTY, PLANT AND EQUIPMENT AT COST – NET

The movement in property, plant and equipment is as follows:	At December 31	
	2002	2001
Cost		
Cost at January 1	**2,173**	**1,902**
Additions	211	328
Disposals	(1,839)	(240)
Currency translation differences	–	183
Cost at December 31	**545**	**2,173**
Accumulated Depreciation		
Accumulated depreciation at January 1	1,694	1,122
Depreciation for the year	244	541
Disposals	(1,674)	(136)
Currency translation differences	–	167
Accumulated depreciation at December 31	**264**	**1,694**
Net book value	**281**	**479**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the years ended December 31, 2002 and 2001

(all amounts are in thousands of euros, unless otherwise indicated)

12. BUILDINGS AT REVALUED AMOUNT – NET

Buildings are stated at revalued amount. Independent valuations are performed periodically with the last valuation performed by the independent valuer Norman Lloyd & Co. on May 4, 1999.

The movement in buildings at revalued amount is as follows:

	At December 31	
	2002	2001
Revalued Amount		
Revalued amount at January 1	527	519
Additions	–	–
Currency translation differences	2	8
Revalued amount at December 31	**529**	**527**
Accumulated Depreciation		
Accumulated depreciation at January 1	56	45
Depreciation for the year	14	11
Currency translation differences	–	–
Accumulated depreciation at December 31	**70**	**56**
Net book value	**459**	**471**

The historical cost price of the building amounts to approximately euro 375.

13. OTHER NON-CURRENT ASSETS

Other non-current assets comprise of long term investments in marketable securities for an amount of euro nil and euro 152 as at December 31, 2002 and 2001, respectively. The market value of these investments at December 31, 2002 and 2001 does not significantly differ from its stated value.

14. TRADE AND OTHER PAYABLES

Trade and other payables include the following:

	At December 31	
	2002	2001
Accounts payable trade	246	994
Advances on sales orders	100	50
Accrued expenses	419	1,066
Other payables	–	362
Total trade and other payables	**765**	**2,472**

(all amounts are in thousands of euros, unless otherwise indicated)

15. PROVISIONS

Provisions at December 31, 2002 and 2001 relate to expected warranty claims on items sold. Warranty given to customers differs from product to product and usually covers a period of 12 to 15 months after the moment of delivery.

	Warranty
Balance at 31 December 2001	**290**
Provisions made during the year	–
Provisions used during the year	(185)
Balance as December 2002	**105**
Current portion of provisions	105

16. BANK OVERDRAFTS

As per December 31, 2002 and 2001 the Group has no credit facilities.

17. LONG-TERM DEBT

As per December 31, 2002 the Group has no long term debts (2001: euro: nil).

18. EMPLOYEE BENEFITS OBLIGATIONS

Defined Contribution Plan

The group sponsors defined contribution plans for its employees based on the local practices and regulations in Germany and the United Kingdom. These plans require employer contributions ranging from 0% to 5% of annual salary.

Defined contribution obligations were not significant as of December 2002 and 2001, respectively. These obligations are presented under other payables.

Share Option Plan

Catalis' policy for the remuneration of the members of the Management Board and other key employees has as objective to attract and retain high quality people and motivate them towards excellent performance, in accordance with Catalis' strategic and financial goals. The remuneration package consists of a base salary and a long-term incentive, currently in the form of stock options. Long-term incentives are linked to long-term drivers and sustained shareholders value creation.

(all amounts are in thousands of euros, unless otherwise indicated)

Information on outstanding options as at 31 December, 2002

	Outstanding December 31, 2001	Outstanding December 31, 2002	Exercise Price	Expiry Date
Erich Hoffman	-	99,999	0.12	22-11-2007
Johannes Ostermayer	-	99,999	0.12	22-11-2007
Robert Käß	-	99,999	0.12	22-11-2007
Michael Hasenstab	-	99,999	0.12	22-11-2007
Han van Eijden	5,000	5,000	0.37	15-01-2007
Han van Eijden	125,000	125,000	14.00	21-07-2005
Jacques Fiers	100,000	100,000	1.40	30-06-2006
Key employees	-	84,000	0.15	08-11-2007
	230,000	713,996		

19. SHARE CAPITAL

The authorised share capital of the Company amounts to euro 2,000 divided into 20 million common shares each having a nominal value of euro 0.10 per share.

	2002	2001
Common shares, euro 0.10 par value		
Authorised 20 million; issued and outstanding		
7.15 million in 2002 and 6.5 million in 2001	715	650

Movements in share capital:	Shares (thousands)		Amount	
	2002	2001	2002	2001
Common Shares				
Issued and paid-in				
January 1	6,500	6,500	650	650
Issuance	649	–	65	–
December 31	7,149	6,500	715	650

	2002	2001
Equity per share		
Basic	0.37	0.76
Diluted	0.34	0.75

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the years ended December 31, 2002 and 2001

(all amounts are in thousands of euros, unless otherwise indicated)

20. SEGMENT INFORMATION

	Test Equipment		Test Services		Corporate Center		Elimination		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
SALES										
External Sales	2,695	5,106	3,731	2,647	–	–	–		6,426	7,753
Inter-segment sales	–	–	–	–	1,501	1,438	(1,501)	(1,438)	–	–
Total sales	2,695	5,106	3,731	2,647	1,501	1,438	(1,501)	(1,438)	6,426	7,753
RESULT										
Profit from operations	(1,936)	(12,992)	319	(117)	(736)	(1,792)	–	–	(2,353)	(14,901)
Financial Income/(loss)	38	5,515	(41)	(4)	(24)	(5,347)	–	–	(27)	164
Income from investments	–	–	–	–	(1,631)	(7,615)	1,631	7,615	–	–
Profit before tax	(1,898)	(7,477)	278	(121)	(2,391)	(14,754)	1,631	7,615	(2,380)	(14,737)
Income tax expenses	(52)	17	63	–	–	–	–	–	11	17
Profit after tax	(1,846)	(7,494)	215	(121)	(2,391)	(14,754)	1,631	7,615	(2,391)	(14,754)
OTHER INFORMATION										
Capital additions	840	170	43	54	78	–	(883)	–	78	224
Restructuring Costs	–	387	–	–	–	588	–	–	–	975
Depreciation and amortisation	172	451	74	75	18	40	–	–	264	566
Impairment goodwill	–	607	–	–	–	1,125	–	–	–	1,732
BALANCE SHEET										
ASSETS										
Segment assets	1,653	5,746	2,172	1,331	2,879	5,689	(2,971)	(4,712)	3,733	8,054
LIABILITIES										
Segment liabilities	1,137	4,845	1,687	1,111	232	735	(1,970)	(3,589)	1,086	3,102

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the years ended December 31, 2002 and 2001

(all amounts are in thousands of euros, unless otherwise indicated)

Geographical Segment Data

The geographical allocation of sales is as follows:

	2002	%	2001	%
Europe	3,379	52.6	5,216	67.3
Asia	1,563	24.3	1,221	15.7
The Americas	1,484	23.1	1,316	17.0
Total sales	6,426	100.0	7,753	100.0

21. COST OF SALES

Cost of sales comprises the following:

	2002	2001
Materials	1,001	2,160
Personnel expenses	1,996	2,308
Depreciation	174	374
Repair and maintenance expenses	8	21
Rent expense	46	152
Other	428	1,677
Total cost of sales	3,653	6,692

22. REDUNDANCY COSTS

Due to reorganisation Catalis N.V. has had redundancy costs of euro 268 in 2002 (euro 975 redundancy costs in 2001).

23. MARKETING AND SALES

Marketing and sales costs comprises the following:

	2002	2001
Personnel expenses	115	329
Marketing expenses	123	429
Advertising expenses	34	65
Depreciation	10	22
Rent expense	5	13
Other	195	166
Total marketing and sales costs	482	1,024

(all amounts are in thousands of euros, unless otherwise indicated)

24. RESEARCH AND DEVELOPMENT

Research and development expenses comprises the following:

	2002	2001
Personnel expenses	1,315	2,376
Materials	157	452
Depreciation	20	83
Rent expense	51	38
Other	95	20
Total research and development expenses	1,638	2,969

25. GENERAL AND ADMINISTRATION

General and administration expenses comprise the following:

	2002	2001
Personnel expenses	1,209	1,455
Depreciation	54	73
Audit, consulting and legal expenses	440	576
Rent expense	204	128
Amortisation goodwill	8	9
Other	431	1,628
Total general and administration expenses	2,346	3,869

26. PERSONNEL

Personnel expenses are summarised as follows:

	2002	2001
Wages and salaries	4,018	5,507
Pension expenses	105	219
Other social expenses	512	742
Redundancy costs	268	975
Total personnel expenses	4,903	7,443

The average number of employees for the year was:

	2002	2001
The Netherlands	3	2
Germany	42	63
United Kingdom	40	65
United States of America	12	-
Total average number of employees	97	130

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the years ended December 31, 2002 and 2001

(all amounts are in thousands of euros, unless otherwise indicated)

27. FINANCIAL INCOME / (LOSS) – NET

financial income comprises the following:

	2002	2001
Interest expense	(8)	(30)
Interest income	83	310
Currency translation differences	(102)	(115)
Other Expenses	–	(1)
Total financial income – net	(27)	164

28. INCOME TAXES

The income tax liability for the years 2002 and 2001 comprises current taxes. The effective tax rate for financial statement purposes differs from the statutory tax rate in The Netherlands as the Company is subject to taxation in various countries with different statutory tax rates and has suffered losses which could not be compensated with taxable income from the past.

The Company has tax loss carried forwards available of approximately euro 16.0 million and euro 13.7 million as per December 31, 2002 and 2001 respectively, for which no deferred tax asset is recognised in the balance sheet due to uncertainty of its recoverability. This is caused due to the fact that most of the carry forward losses are held by the holding company Catalis NV. According to Netherlands tax legislation most of the income out of the subsidiaries is non taxable for Catalis NV. The management is investigating the opportunities for own independent taxable income for Catalis NV.

29. LEASES

The Company and its subsidiaries have various operating lease agreements for machinery, offices and other facilities. Future minimum lease payments as per December 31, 2002 under non-cancellable operating lease are as follows:

	2002	2001
Within 1 year	261	470
1 year through 5 years	258	1,064
After 5 years	–	–
Total future minimum lease payments	519	1,534

(all amounts are in thousands of euros, unless otherwise indicated)

30. CONTINGENT LIABILITIES

Various legal actions and claims are pending or may be asserted in the future against the Group companies from litigations and claims incident to the ordinary course of business. These mainly include matters relating to warranties and infringement on intellectual property rights. Related risks have been analysed as to likelihood of occurrence. Although the outcome of these matters cannot always be ascertained with precision, management believes that no material liabilities are likely to result.

According to the preliminary reports of the trustee of the insolvency of aeco Germany GmbH it is not be expected that there will be any liabilities for the Group in the future. All of the realized and expected losses due to the insolvency are reported separately as loss in 2002.

31. RISKS

The client environment of the segment Testing Services has to be acknowledged as one with a limited number of possible clients. Although the Group has a leading role in the existing client environment, changes in the number of clients will have an important effect on the financial figures of the Group. The management will reduce this risk in the near future by the way of extending the number of possible rendered market services.

32. LIST OF CONSOLIDATED SUBSIDIARIES

Entity	Place of Incorporation	Principal Activities	Ownership Interest
aeco International (Deutschland) GmbH	Berlin, Germany	Holding	100%
aeco Germany GmbH	Aichach, Germany	Test Equipment	100% (till 27-9-2002)
aeco Ltd.	Welshpool, United Kingdom	Test Equipment	100%
Aerostream Inc.	Burbank, United States of America	Test Services	100%
Testronic Laboratories Ltd.	London, United Kingdom	Test Services	100%
aeco Options BV	Eindhoven, The Netherlands	Stock option services	100%
Testronic GmbH	Ludwigsburg, Germany	Test Services	100%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the years ended December 31, 2002 and 2001

(all amounts are in thousands of euros, unless otherwise indicated)

33. EMOLUMENTS OF THE BOARD OF DIRECTORS

Directors' total remuneration approximated euro 103 in 2002 and euro 806 in 2001 respectively. In 2002 the supervisory board's remuneration was in total euro 20.

Shares held by members of the Board of Directors as at 31 December 2002:

Family Hoffmann	861,249
Family Ostermayer	861,249
Robert Käß	236,170
Michael Hasenstab	236,170

34. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net loss for the period attributable to common shareholders by the weighted average number of common shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net result attributable to common shareholders and the weighted average number of shares outstanding are adjusted for the effects of all dilutive common shares from exercise of share options. The number of common shares is the weighted average number of common shares plus the weighted average number of common shares which would be issued on the conversion of all the dilutive potential common shares into common shares. Share options are deemed to have been converted into common shares on the date when the options were granted.

		For the year ended 2002	
	Income	Weighted Average Number of Shares (thousands)	Earning Per Share Amount
Basic Earnings per Share			
Net loss attributable to common shareholders	(2,391)	6,554	(0.37)
Add: Assumed exercise of share options	–	311	
Diluted Earnings per Share			
Net loss attributable to common shareholders afters assumed conversion	(2,391)	6,865	(0.35)
		For the year ended 2001	
Basic Earnings per Share			
Net loss attributable to common shareholders	(14,754)	6,500	(2.27)
Add: Assumed exercise of share options	-	125	
Diluted Earnings per Share			
Net loss attributable to common shareholders afters assumed conversion	(14,754)	6,625	(2.23)

35. SUBSEQUENT EVENTS

With effect from January 27, 2003, aeco N.V. has changed its name to Catalis N.V.
In March 2003 aeco Ltd. has sold its remaining operating assets, customer relationships as well as service obligations to Datarius Technologies GmbH, Austria. The manufacturing building is not a part of this arrangement and will be sold separately as soon as possible.

COMPANY-ONLY BALANCE SHEETS

as at December 31, 2002 and 2001
(in thousands of euros)

	December 31, 2002	December 31, 2001
ASSETS		
Current Assets		
Cash and cash equivalents	667	1,225
Receivables - group	1,964	3,314
Other current assets	64	109
Total Current Assets	2,695	4,313
Non-Current Assets		
Goodwill	148	156
Investment in group companies	31	782
Property, plant and equipment at cost – net	5	96
Total Non-Current Assets	184	1,034
Total Assets	2,879	5,687
LIABILITIES AND EQUITY		
Liabilities		
Current Liabilities		
Trade and other payables	232	735
Total Current Liabilities	232	735
Total Equity		
Share capital	715	650
Capital reserve	18,360	18,347
Currency translation differences	(107)	(115)
Accumulated deficit	(16,321)	(13,930)
Total Equity	2,647	4,952
Total Liabilities and Equity	2,879	5,687

COMPANY-ONLY INCOME STATEMENTS

for the years ended December 31, 2002 and 2001
(in thousands of euros)

	December 31, 2002	December 31, 2001
Loss after taxes	(760)	(7,139)
Loss from investments	(1,631)	(7,615)
Net Loss	(2,391)	(14,754)

NOTES TO COMPANY-ONLY FINANCIAL STATEMENTS

for the years ended December 31, 2002 and 2001
(in thousands of euros)

1. GENERAL

The description of the Company's activities and the Group structure, as included in the notes to the consolidated financial statements, also apply to the Company-only financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The accounting principles as described in the notes to the consolidated financial statements also apply to the Company-only financial statements, unless indicated otherwise.

Investment in group companies

Investments in group companies are accounted for by using the equity method.

3. INVESTMENT IN GROUP COMPANIES

The movement in the investment in group companies as follows:

	2002	2001
Book value at January 1	782	960
Investments (forgiven loan)	829	7,552
Incorporation subsidiaries	43	-
Income from subsidiaries	(1,631)	(7,615)
Currency translation differences	8	(115)
Book value at December 31	**31**	**782**

SUPPLEMENTARY INFORMATION

Appropriation of Net Loss after Taxes

The Articles of Association of the company provide that the appropriation of the loss after taxes for the year is decided upon at the Annual General Meeting of Shareholders. Awaiting the decision by the shareholders, the net loss for the year is deducted from the accumulated profit.

MOORE STEPHENS VAN DEN BOOMEN

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REPORT OF THE INDEPENDENT AUDITORS

Introduction

We have audited the consolidated balance sheet as at December 31, 2002 and 2001, the related consolidated statement of changes in equity, cash flow and income statements for the years 2002 and 2001 of Catalis N.V. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with International Financial Reporting Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the financial position of the company as at December 31, 2002 and 2001, and of the results for the years ended December 31, 2002 and 2001 in accordance with International Financial Reporting Standards.

Moore Stephens Van den Boomen

Moore Stephens Van den Boomen
Accountants

Waalre, (Eindhoven), The Netherlands
April 11, 2003

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